



NEWS AND VIEWS

A Publication for Policyholders

July, 2006

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NEW ADVISORY COMMITTEE MEMBERS

Chairman Kevin Houlihan appointed two new members of the LGPIF Advisory Committee at the April Meeting. Mary Lee Powell from the Village of Dickeyville was appointed to a three-year term replacing Harold Reckelberg who died in a farm accident last fall. Jim Wyss of the City of Manitowoc was also appointed for three years in place of Peter Masias who went into private business.

In addition to the two new members, the following were re-appointed to three-year terms: Carole Charles, Julee Helt, Glinda Loving, Doug Saubert, Laura Stauffer, and Kevin Houlihan.

Want to serve on the Advisory Committee? Contact ASU staff to have your name put on a candidate list.

COMMISSIONER ANNOUNCES LOWER RATES FOR THE LGPIF

On May 16 Wisconsin Insurance Commissioner Jorge Gomez announced lower insurance premiums for the Local Government Property Insurance Fund (LGPIF). The LGPIF is a voluntary property insurance program for local units of government administered by the Office of the Commissioner of Insurance. "In this time of tight government budgets, we are pleased to be able to offer lower insurance premiums to our policyholders," said Commissioner Gomez. "Many Wisconsin taxpayers will benefit from these lower rates."

The announced rate decrease will average 14.5% for the building and contents line of coverage, effective for policies renewed on or after July 1, 2006. Combined with last year's rate reductions of 16%, LGPIF premiums have declined approximately 30% over the past two years.

As of December 31, 2005, the LGPIF insured 1,154 local units of government including counties, cities, towns, villages, and school districts in Wisconsin with total insured values of more than \$38 billion. The LGPIF operates with the support of a policyholder advisory committee and the rate decrease was recommended after their review of the Fund's overall financial position. Commissioner Gomez acknowledged the Committee's work and said, "The work of the Advisory Committee in recommending policy language changes and loss control programs has been invaluable and contributes to our ability to keep premiums low."

The LGPIF has offered insurance to local units of government since 1913. Created by the Legislature in 1871, Wisconsin's Office of the Commissioner of Insurance (OCI) was vested with broad powers to ensure that the insurance industry responsibly and adequately met the insurance needs of Wisconsin citizens. Today, OCI's mission is to lead the way in informing and protecting the public and responding to its insurance needs.

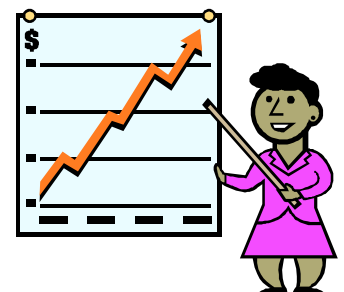
THIRD QUARTER FINANCIAL REPORT

The Fund continued its favorable financial results through the first three quarters of fiscal year 2006 ending March 31 with net income of \$4,098,000. Policyholder surplus stood at \$38.6 million; approximately \$4 million over fiscal year-end 2005.

The year-to-date net combined

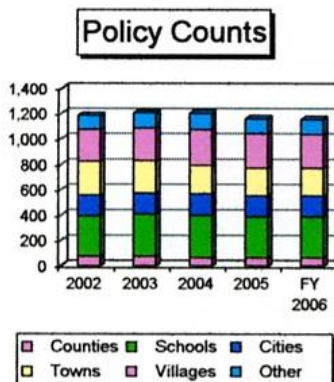
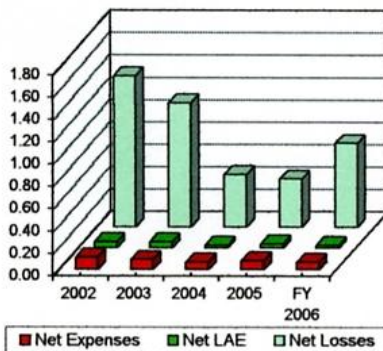
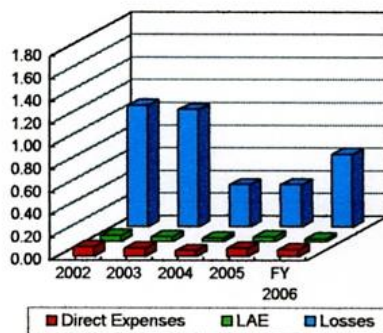
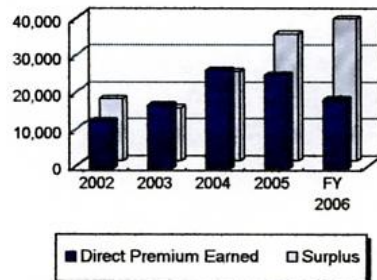
ratio (losses and expenses after reinsurance) was at .85; up from the past two years but much better than the industry overall.

In-force coverage is at an all-time high of \$39.4 billion and the policy count showed 1,155 entities carry property insurance with the Fund.



SEE GRAPHS ON PAGE 2

LOCAL GOVERNMENT PROPERTY INSURANCE FUND
STATUTORY BASIS FINANCIAL SUMMARY - 3rd Quarter March 31, 2006
(numbers in 000's except ratios)



	Fiscal Years Ended June 30,				3rd Qtr
	2002	2003	2004	2005	FY 2006
Ending Policyholder Surplus	16,947	14,475	24,268	34,520	38,618

Direct experience

Direct premium earned	12,832	17,246	26,684	25,465	18,755
Direct losses incurred	13,760	17,816	9,927	9,317	11,940
Direct lae	620	761	682	940	407
Direct underwriting expense	1,078	1,183	1,447	1,741	1,045

Operating Statement

Net premium earned	10,018	12,644	20,954	20,959	15,890
Net losses incurred	13,539	14,092	9,841	9,082	11,843
Net loss adjusting expense	620	761	682	940	407
Underwriting expense	1,079	1,183	1,447	1,741	1,045
Total losses & expenses	15,238	16,036	11,970	11,763	13,295
Underwriting gain(loss)	(5,220)	(3,392)	8,984	9,196	2,595
Investment & other income	1,348	920	809	1,056	1,503
Net income before dividend	(3,872)	(2,472)	9,793	10,252	4,098
Dividends to policyholders	0	0	0	0	0
Net income	(3,872)	(2,472)	9,793	10,252	4,098

Ratios

	2002	2003	2004	2005	YTD FY 2006
Direct cost per dollar*					
Losses	1.07	1.03	0.37	0.37	0.64
Loss adjusting expense	0.05	0.04	0.03	0.04	0.02
Underwriting expense	0.08	0.07	0.05	0.07	0.06
Total direct costs	1.20	1.14	0.45	0.48	0.72
Net cost per dollar*					
Losses	1.35	1.11	0.47	0.43	0.75
Loss adjusting expense	0.06	0.06	0.03	0.04	0.03
Underwriting expense	0.11	0.09	0.07	0.08	0.07
Total net costs	1.52	1.26	0.57	0.55	0.85

*as related to earned premium

Policy Statistics

Insurance Inforce (billions)	29.7	32.7	35.9	37.2	39.4
Annual Premium(millions)	13.3	21.6	26.3	25.3	24.5

Policy count

Counties	72	72	65	63	63
Schools	323	334	333	326	326
Cities	162	166	170	162	161
Towns	268	254	224	220	219
Villages	247	260	283	269	266
Other	111	120	128	120	120
Total	1,183	1,206	1,203	1,160	1,155

SPRINKLER SYSTEM SAVES MADISON TRANSIT SYTEM

On a warm, sunny Saturday morning of Memorial Day weekend in 2005 a Madison city bus caught fire. There were no passengers on it and the engine was shut off. Not a catastrophic loss -- right? There's more to the story. The bus was parked in the city bus barn along with about 190 other buses. The barn is a wide open structure with no fire walls or partitions and no one had a chance to remove any of the buses after the fire began. However, the barn has an excellent sprinkler system that functioned perfectly.

There were staff on site who quickly called the fire department and the firemen were on the scene in mo-

ments -- two important factors in loss mitigation in addition to the sprinkler system.

Each bus was valued at about \$280,000 at the time and the building was worth many millions. Only one bus was a total loss and eight others required some repairs in addition to more that had minor smoke damage. The barn sustained only about \$100,000 in smoke damage.

It would be difficult to estimate how large this loss might have been without the sprinkler system. But there's no doubt it would have been millions of dollars more than what occurred even with good fire



department response according to Greg Grunow, ASU Group Claims Supervisor, who had an adjuster on the scene within an hour after being notified by Kevin Houlihan, Risk Manager for the City of Madison, that same day. Mr. Houlihan concurred that, "The loss would have been well into seven figures easily without the sprinkler system," and said that the City of Madison considers them a vital part of any new construction.

RISK TIP: Inspect and Maintain Fire Extinguishers Regularly

A monthly inspection of fire extinguishers is a minor task that can prevent a major fire. It is beneficial to number all extinguishers and their mounting brackets or cabinets. The numbering of the extinguishers allows for tracking of extinguisher use and provides a means of replacing the extinguisher in its proper location.

The Fund has paid for at least three significant losses to expensive pieces of equipment due, in part, to the lack of a properly charged fire extinguisher. Make sure that when a vendor removes an extinguisher for service that they leave a comparable extinguisher in its place. If you operate fleet vehicles and/or equipment, don't forget to inspect those extinguishers on a regular basis to make sure they are charged and operational. Also, have a training plan to train those employees that you expect to operate a fire extinguisher during emergency situations on the proper selection and use of the fire extinguisher.



UPDATE ON TERRORISM COVERAGE

This notice is designed to update you on the status of the federal Terrorism Risk Insurance Program and the impact on your policy. The Notice does **not** form a part of your insurance contract. If there is any conflict between this Notice and the policy (including its endorsements), the provisions of the policy (including its endorsements) apply.

Your policy includes the following endorsement: **OCI 41-918 Limited and Conditional Terrorism Exclusion.**

Prior to the beginning of the current annual policy period, we advised you that

the provisions of the Conditional endorsement would govern treatment of terrorism losses in the event of termination of the federal Terrorism Risk Insurance Program (TRIP) or in the event of certain changes to TRIP. On December 22, 2005, President Bush signed into law an extension of the Terrorism Risk Insurance Act, effective January 1, 2006, providing for continuation of TRIP. TRIP as extended contains various changes, including the removal of some types of insurance.

TRIP has terminated with respect to (and therefore no longer applies to) the fol-

lowing types of insurance: 1) automobile comprehensive and collision coverage, and 2) theft coverage due to a terrorist act.

For the aforementioned insurance for which TRIP has terminated, **the exclusion or limitation contained in the Limited and Conditional Terrorism Exclusion endorsement now governs the treatment of terrorism losses.**

If you have questions, please contact:

Lowell Carter, ASU Group/
LGPIF
Phone 608-821-1189

Return Service Requested

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DATES TO REMEMBER:

Advisory Committee

October 12, 2006, 9:30 a.m.
GEF 3, Room 227

Oversight Committee

November 1, 2006, 9:30 a.m.
GEF 3, Room 125

Reminder: After a vote by a local government unit to insure its property with the Fund, no such unit may purchase insurance on any property from a private insurer.

Surveys and Policy Forms are now available at the OCI Website: (Under Forms)
oci.wi.gov/lgpif.htm

OCI ANNOUNCES REORGANIZATION

Commissioner Jorge Gomez is pleased to announce that effective May 1, 2006, Governor Jim Doyle approved the Office of the Commissioner of Insurance's internal reorganization plan. The plan was designed to create a more flexible organization designed to optimize use of finite staff resources for regulatory purposes. As a result, one staff reassignment occurred that directly relates to the Local Government Property Insurance Fund (Fund.) Assistant Deputy Commissioner Eileen Mallow's duties will now be focused on coordinating agency outreach, communications, public information and records management duties and state health funds. Replacing Ms. Mallow as the Insurance Administrator responsible for supervisory oversight of the Fund's operations is John Montgomery. Dan Bubolz will also continue to serve as the Fund's Director, in charge of

day to day Fund operations, but now reports to Mr. Montgomery.

By way of introduction, Mr. Montgomery has a master's degree in Public Administration from the UW-Madison and served 14 years as the state's Deputy Budget Director. He has worked at OCI for five years, most recently as Acting Administrator for the Division of Administrative Services. The reorganization plan eliminated that division, as it was constituted, and reassigned its staff to better meet agency needs. John can be reached by phone at 608/264-8113 and by e-mail at: john.montgomery@wisconsin.gov.

"I am confident John will do a good job and you will enjoy working with him," Jorge said. "I'd also like to personally thank Ms. Mallow for her leadership in overseeing the Fund over the past seven years when it witnessed much growth and many positive changes in the LGPIF program. Eileen has done a



John Montgomery

wonderful job in shaping the program and guiding its very important mission. OCI's new organizational structure will also have a strong management team in place as John and Dan strive for continued excellence in how the LGPIF is operated and managed."